



INSIDE THE REPUBLICAN REVOLT AGAINST ELITE TAX CUTS

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In a sweaty summer for the stock market, the Dow climbed to a record high in July, after President Donald Trump signaled he would reconsider a trade deal with China and amid optimism that the Federal Reserve would cut rates. It should have been heady, unapologetic times for the Grand Old Party, with numbers that typically signal a winning economy — including record-low unemployment — under a Republican presidency.

Only, Sen. Marco Rubio wasn't happy. While the New York Stock Exchange was ringing its opening bell on the longest bull market in history, the Florida Republican senator was pulling the fire alarm. In a [40-page report](#) he released in May, Rubio warned that “behind recent positive numbers, there is plenty that isn't working the way it should.” Then, he turned more pointed. “Business investment, one of the most basic economic activities of the free enterprise system, is declining.” On Twitter, he railed against the “financialization” of the economy that emphasized the stock market over ordinary people.

Now, before the 2020 presidential election consumes all things political, more than a few Republicans are preparing bills that they believe will refocus tax reform on people. Sen. [Mike Lee](#) of Utah believes tax cuts are good but has suggested that the U.S. is receiving only marginal gains from continuing to grant the rich ever-increasing cuts. Instead, he has proposed revamping the Child Tax Credit, which would disproportionately benefit young, working parents. Iowa Sen. Joni Ernst, along with Lee, proposed a paid leave bill in March called the Cradle Act, which would allow parents to receive Social Security payments early to replace wages lost during maternity leave. Meanwhile, Sen. Josh Hawley of Missouri has suggested adjusting the earned income tax credit — a program aimed at the working poor — so that rather than receive a lower tax bill, the beneficiaries receive a boost directly to their paychecks.

Rubio has played a major role in all these plans that are reshaping the party. “There is a shift,” says Chris Edwards, director of policy studies at the libertarian think tank Cato Institute, of Republicans who “usually you would think are small-government, conservative types” jumping aboard policies traditionally opposed by the economic right. “Folks like Marco Rubio don't understand that capital and labor are complements in the economy,” Edwards says, criticizing the trend.

But those senators aren't alone among conservatives in wondering if elite tax cuts are losing their luster: Their voters agree. In a Politico and Morning Consult poll conducted in February, 51

percent of Republicans said they would favor a 2 percent tax increase on households with a net worth of \$50 million or more and an additional 1 percent tax on those worth \$1 billion or more (a policy similar to the “wealth tax” that’s been proposed by Democratic presidential candidate Sen. Elizabeth Warren). In general, rank-and-file Republicans support “soaking” the rich: One earlier Fox News survey found that 54 percent backed raising taxes on those making more than \$10 million annually.

Rubio and Lee were notable players in the Tax Cuts and Jobs Act discussion two years ago too. In the waning days of December and with a pressing deadline, Rubio threatened to vote against the reform if it didn’t do more for families. Lee also pushed for changes to what he calls a “parent tax penalty,” in which parents contribute to retirement funds twice: first by paying their taxes, and second by paying the expected \$200,000 it will cost to raise their child to the age of 18 — who will then become taxpayers themselves.

While Lee and Rubio did not get the full Child Tax Credit they wanted — including a refund where even parents who didn’t pay taxes would receive a check for raising their kids — they did get an increase, from a 55 percent refund to 70 percent (about an extra \$300 per child for families earning between \$25,000 to \$40,000 annually). “That is money for diapers, a crib, kids’ sports equipment, school supplies, after-school care or new shoes,” Rubio said in a statement at the time.

Other methods for prioritizing lower-income earners exist. During the debate on the 2017 tax reforms, Republicans suggested repealing the medical device tax, which disproportionately affected lower-profit-margin companies, and allowing families to deduct more of their medical expenses from their taxes. Both those Senate suggestions, opposed by Democrats, were lost in the reconciliation process with the House of Representatives.

Supporters of the corporate tax rate decrease and general cuts for the richest in society say that the tax reforms did what they were intended to do: repatriate the tax potential of companies sheltering money overseas while making the U.S. more competitive in attracting businesses, efforts that would ultimately help workers and consumers. Sure, there are flaws, but this deal was “more like the first year of Michelangelo’s work on David,” says [Grover Norquist, founder of Americans for Tax Reform](#). “It isn’t David, but there is less marble hiding the true David ... it is closer.”

But there are political benefits for senators like Rubio and Lee to push for a tax system that focuses less on top income earners, with the party shifting away from elites to the working class. Rubio particularly has taken notice — having had a [front-seat view of Trump’s populist rise](#) while running for the party nomination in 2016. “People like Rubio are putting their fingers to the wind and, simply for political reasons, are adopting some anti-market rhetoric and policies,” Edwards argues.

Still, the polls show that a Republican revolt against the elites is already happening. And if the Florida senator can lead the charge with a few family-friendly tax cuts along the way, why shouldn’t he pick up his pitchfork?

